

EXHIBIT "A"

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FOR SETTLEMENT PURPOSES ONLY
TERM SHEET

This Term Sheet shall set forth the Agreed Terms and Governing Principles that have been reached between the STATE OF CALIFORNIA DEPARTMENT OF RESOURCES (DWR) on the one hand, and WESTERN CANAL WATER DISTRICT, BIGGS-WEST GRIDLEY WATER DISTRICT and RICHVALE IRRIGATION DISTRICT (the Districts) on the other hand (hereafter collectively the Parties) in connection with the facts set forth below:

The Parties have engaged in intensive settlement negotiations to resolve a dispute between the Parties over the extent and value of rice yield loss (YL) which the Districts attribute to cold water delivered by DWR from Thermalito Afterbay. Those negotiations have resulted in agreement on a substantial number of issues and the Parties will continue to negotiate to reach a final settlement. Notwithstanding the need to complete negotiations on the agreement and the accompanying exhibit that will describe the methodology to calculate YL, the Parties desire to set forth those agreements reached to date on principles which will guide the settlement agreement (Agreement) and direct those responsible for its technical implementation. This Term Sheet is not intended to be an exhaustive list of all settlement terms and conditions.

AGREED UPON PRINCIPLES AND TERMS

1. The Parties to the Agreement will be WESTERN CANAL WATER DISTRICT, BIGGS-WEST GRIDLEY WATER DISTRICT, and RICHVALE IRRIGATION DISTRICT (the Districts), on the one hand, and the STATE OF CALIFORNIA by and through its DEPARTMENT OF WATER RESOURCES (DWR), on the other.

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2. The Agreement will provide a mechanism for DWR to compensate for YL caused by cold water delivered from DWR's Oroville Facilities commencing with the 2008 crop year.
3. The Agreement will resolve DWR's liability for damage to rice production within the Districts caused by cold water from Project No. 2100.
4. The Parties have agreed upon a methodology to calculate the annual compensation for YL attributable to cold water delivered to the Districts.
5. The Parties have agreed that YL will be calculated using a formula applied to monitored fields over an agreed-upon monitoring period. The formula which has been agreed to is as follows:

$$\left[\frac{(Y1 - Y2)}{Y1} \right] \times \left[\frac{(B + R + ND)}{n} \right] \times (A) = YL$$

Where:

- Y1 = Average Yield of UAC of monitored field (cwt/GPS acres)
- Y2 = Average Yield of CWC of monitored field (cwt/GPS acres)
- B = Average Yield reported by BUCRA in the year of measurements (cwt/FSA acres)
- R = Average yield reported by RED Top in the year of measurements (cwt/FSA acres)
- A = [CWC area (GPS acres)] x [(whole field FSA acres)/(whole field GPS acres)]
- YL = Yield Loss (cwt)
- ND = New dryer if necessary or a replacement of existing dryer
- n = Number of dryers in the numerator

6. The Parties have agreed that a monitoring plan and follow-up analysis, currently under negotiation, should be continued, with the objective of the monitoring plan being as follows:

- a. To reliably estimate YL and the economic value thereof so that DWR can compensate the Districts over the term of the Agreement.
- b. To perform the monitoring program and follow-up analysis as efficiently as practicable, and to implement the monitoring program during the 2008 growing seasons, if

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possible.

- c. To develop a relationship between YL and water temperatures at various points in DWR's Thermalito Afterbay and throughout Districts' systems.
- d. To define events that may necessitate additional monitoring and analysis.
- e. To describe the technical and economic details of the monitoring program in Exhibit A of the Agreement to be executed later.

7. The Parties have agreed that when YL is determined, it will be converted to dollars within each of the Districts using a negotiated market valuation for rice (methodology to be defined in Exhibit A of the Agreement), and the calculated dollars will be paid by DWR to the Districts.

8. The Agreement will provide that, notwithstanding the requirement to undertake the monitoring plan and analysis described in paragraph 6, including periodic updates thereof, the obligation to compensate for YL, effective with the 2008 crop year, shall continue in effect.

9. The Agreement will provide that if YL due to non-cold water factors is identified with a level of confidence commensurate with the other technical studies outlined in the Agreement, such losses will be taken into consideration in calculating the cold water related YL calculations and subtracted using methodologies comparable to those established to calculate cold water YL.

10. The Parties have agreed that annual payment of damages will utilize an averaging process over a five-year term (or less if fewer than five years are data are available) in order to moderate annual fluctuations in rice YL compensation costs.

11. The Parties have agreed that compensation to the Districts described above shall

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be in full settlement of any claims the Districts may have for damages attributable to cold water delivered to them from the Thermalito Afterbay, including any such claims that may have been reserved as part of the Districts' respective diversion agreements with DWR.

12. The Parties have agreed that selecting appropriate monitoring fields in all ranges of cold water exposure and geographic distribution within the Districts is important for the monitoring program and for determining the compensation under this Agreement. The Districts shall secure an adequate number of monitoring field growers cooperators appropriately distributed (to be defined in the Agreement) within each District to participate in the monitoring program.

13. The Parties have agreed that they will share, fifty percent (50%) DWR and fifty percent (50%) Districts, in the cost of: (1) the monitoring program which will be implemented as described in Paragraph 6, above and (2) the ongoing monitoring as required to be implemented throughout the term of the Agreement term. Also, the Parties have agreed to pay their own consultants, their staff attending meetings and negotiations, and their own administrative costs.

14. The Parties have agreed that as a result of this Agreement, and payment by DWR to the Districts, the Districts shall be solely responsible for the payment to rice growers and/or land owners for damages incurred as a result of cold water delivered to the Districts from DWR, and that they shall defend and indemnify DWR from any claims or demands arising from such delivery of cold water and/or the payment of funds to the rice growers and/or land owners.

15. The Parties have agreed that, upon execution of the definitive Agreement, the Districts will withdraw their protest in the FERC docket for the relicensing of the Oroville Facilities by DWR and shall file a statement of support for the new license and the Agreement at FERC and SWRCB.

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16. Assuming negotiations on the remaining issues of Exhibit A are promptly completed, the Parties intend to commit this Agreement and accompanying exhibits to writing, within 60 days from the last signature date shown below, in a form containing provisions and settlement language consistent with this Term Sheet. The date for a written Agreement may be extended by mutual consent of the Parties, and the Parties will use their best efforts to shorten said period to the maximum feasible extent. The Term Sheet shall expire and become null and void and of no legal effect after the 60 day period stated above, unless mutually agreed to by the Parties, or when the Agreement is executed, whichever occurs first

17. The parties have agreed to develop a dispute resolution process.

This Term Sheet is executed this ____ day of _____, 2007, at Oroville, California.

DATED: 7/20/, 2007.

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By [Signature]

DATED: 7/25, 2007.

BIGGS-WEST GRIDLEY WATER DISTRICT

By R.R. Connelly

President

By [Signature]

Secretary

DATED: 7/25, 2007.

RICHVALE IRRIGATION DISTRICT

By [Signature]

President

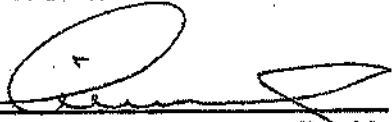
By [Signature]

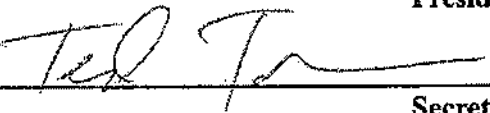
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Secretary

DATED: 7/25, 2007.

WESTERN CANAL WATER DISTRICT

By 
President

By 
Secretary